No. 91-1043

IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

PROFESSIONAL REAL ESTATE INVESTORS, INC.,

and

KENNETH F. IRWIN,

Petitioners,

v.

COLUMBIA PICTURES INDUSTRIES, INC.,
EMBASSY PICTURES,
PARAMOUNT PICTURES CORPORATION,
TWENTIETH CENTURY-FOX FILM CORPORATION,
UNIVERSAL CITY STUDIOS, INC.,
WALT DISNEY PRODUCTIONS,
WARNER BROS., INC., and
CBS INC.,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

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PETITIONERS' REPLY BRIEF ON THE MERITS

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PARTIES TO THE PROCEEDING

All of the parties to the proceeding below are set forth in the caption to the case. Pursuant to Rule 29.1 of the Rules of this Court, Petitioners state that Professional Real Estate Investors, Inc. has no wholly-owned subsidiaries and no parent corporation.

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PETITIONERS' REPLY BRIEF ON THE MERITS

INTRODUCTION AND SUMMARY OF ARGUMENT

The positions taken both by Respondents and by the United States and the Federal Trade Commission ("the Government," appearing as *amici*) share a substantial flaw:

they attempt to reformulate, subtly but substantively, the question on which this Court granted review. Both Respondents and the Government would, in effect, have this Court determine whether Respondents' failed copyright action was in fact a sham, and in the process presume that the intent with which Respondents litigated their copyright case against Petitioners was benign, all without permitting Petitioners to conduct any discovery on that issue of fact.

Having thus recast the question presented, Respondents then seek to support the standard for sham petitioning adopted by the Ninth Circuit by arguing that an objective screen is necessary to protect competitors who combine to bring law suits against their rivals from the burdens of discovery and the chilling effect of misunderstood intent.[1] They also argue that the scope of the sham exception to the *Noerr-Pennington*[2] doctrine is a matter solely of statutory, rather than constitutional, interpretation. Therefore, Respondents argue, courts have wide latitude "to fashion sensible rules" to distinguish sham petitioning, even where those rules would in some circumstances allow competitors to abuse the judicial process. Brief for the Respondents ("Resp. Brief") at 19. Respondents mischaracterize Petitioners' articulation of the proper standard for sham analysis as not calling for any consideration of objective criteria and then criticize their caricature for being purely subjective, constitutionally suspect, imprudent, unreliable, vague, difficult to apply, and productive of abusive discovery.

The Government flatly rejects this fundamental aspect of Respondents' position, and instead supports Petitioners in their arguments against the Ninth Circuit's objective screen. However, notwithstanding its acknowledgement that the Ninth Circuit's standard incorrectly denied

[1] *See infra* n.10.

[2] *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); *United Mine Workers of Am. v. Pennington*, 381 U.S. 657 (1965).

Petitioners any discovery on issues of liability or damages, the Government urges that the judgment be affirmed because Petitioners failed to present evidence sufficient to withstand summary judgment. We show below that none of Respondents' contentions is tenable, and that the Government's view on summary judgment law is wrong.

ARGUMENT

I. Respondents And The Government Seek To Divert Attention From Consideration Of The Question On Which Review Was Granted.

In seeking certiorari and in their opening brief on the merits, Petitioners presented substantively identical formulations of the question for review by this Court:

> Whether the Ninth Circuit misconstrued the sham exception to the *Noerr-Pennington* doctrine by refusing to consider evidence that the lawsuit in question was pursued with indifference to its outcome, after it initially concluded that the lawsuit was not "baseless" as a matter of law?

Petitioners' Brief on the Merits ("Pet. Brief") at i.[3] Petitioners argued that the Ninth Circuit erred in holding that, as a prerequisite to discovery on well-pled antitrust claims, an antitrust plaintiff must establish that a sham lawsuit is baseless as a matter of law or suffer dismissal of its case. Blind use of this objective screen is wrong. It would completely immunize from Sherman Act scrutiny antitrust violations occurring in the form of lawsuits that, while "not baseless," were nonetheless brought with indifference to their outcome for other purposes such as to burden and harass a competitor. This Court's precedent and the better reasoned lower court decisions teach that

[3] The only change from the question presented in the petition for certiorari was the wording of the descriptive phrase following "lawsuit in question" which, in the petition, read as follows: "was not pursued with a genuine desire to obtain a favorable judgment . . . ." Petition for a Writ of Certiorari ("Pet.") at i.

antitrust defendants' subjective intent in petitioning -- *i.e.*, whether they were indifferent to the outcome -- is discoverable when a claim of sham litigation is pled sufficiently and in good faith, in accordance with Rules 11 and 12 of the Federal Rules of Civil Procedure.

In opposition, Respondents argued a materially different question:[4]

> Whether the prosecution of a lawsuit involving a pure question of law that was "brought with probable cause and presented issues that were difficult to resolve" (Pet. App. 15a) may subject a party to potential antitrust liability solely on the theory that the suit was not motivated by a desire to achieve a favorable judicial result and, therefore, constituted a "mere sham."

Resp. Brief at i.[5] *See also* Resp. Brief at 11 ("[t]he only issue before this Court is whether respondents' copyright lawsuit constituted a 'mere sham' within the meaning of *Noerr* . . ."), *infra* n.10. In essence, Respondents would have this Court presume that their failed copyright case was not a sham, and that the Ninth Circuit's objective

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[4] In this, Respondents failed to heed this Court's recent admonition in *Kodak* that " '[o]ur decision to grant certiorari represents a commitment of scarce judicial resources with a view to deciding the merits of one or more of the questions presented *in the petition*.' " *Eastman Kodak Co. v. Image Technical Services, Inc.*, 60 U.S.L.W. 4465, 4469 n.10 (1992) (emphasis supplied), *quoting City of Oklahoma City v. Tuttle*, 471 U.S. 808, 816 (1985). *See also Tuttle*, 471 U.S. at 814 n.2; Robert L. Stern et al., *Supreme Court Practice* § 6.25 at p. 363 (6th ed. 1986).

[5] The "counterstatement of question presented" in Respondents' brief in opposition to the petition is different still from the question presented in their brief on the merits, although similar in the error it propounds:

> Whether the court of appeals correctly ruled that, under this Court's holding in *California Motor Transport Co. v. Trucking Unlimited* and its progeny, a lawsuit brought with probable cause -- which indisputably raised very close federal copyright issues of first impression -- is immune from antitrust liability under the *Noerr-Pennington* doctrine.

Brief of Respondents in Opposition to Pet. at i.

screen is needed to protect them from the burdens of discovery and the potential for being misunderstood by a jury.

The Government addresses yet another question:

> Whether the sham exception to the *Noerr-Pennington* doctrine can apply to a single unsuccessful lawsuit, when the lawsuit, although not baseless, was brought for the purpose of inflicting injury from the judicial process without regard to the outcome.

Govt. Brief at i. Like Petitioners, the Government recognizes that the Ninth Circuit's objective standard is wrong. *See supra* p. 16. However, by recasting the issue as whether the sham exception "can apply" to a "not baseless" lawsuit, the Government attempts to divert attention from the necessarily derivative error in the Ninth Circuit's denial of Petitioners' discovery, to the illogical proposition that Petitioners in this case are not entitled to pursue their well-pled claims because they failed to come forward with evidence sufficient to defeat Respondents' motion for summary judgment.

The question for review is the one presented by Petitioners upon which this Court granted certiorari, and nothing else. Petitioners alleged a conspiracy on the part of Respondents to destroy their business, in violation of state and federal antitrust laws. Respondents' conspiracy was made manifest through the filing of a sham copyright infringement action, as well as other acts. The sham lawsuit was claimed to be *both* an act in furtherance of that conspiracy and an illegal act in and of itself. Pet. Brief at 8-9. Discovery with respect to these acts is necessary in order that facts can be presented from which a jury may determine whether Respondents intended to secure a result from their copyright lawsuit or were indifferent to its outcome. Respondents would have this Court settle the parties' dispute as though they were at the finish line (*i.e.*, by presuming that the copyright lawsuit was not a sham, a question of fact not ripe for summary judgment, much

less review), when this Court granted review to settle a dispute at the starting blocks (*i.e.*, were Petitioners improperly denied discovery of necessary facts on their well-pled claims).

II. Respondents' Attempts To Justify The Ninth Circuit's Objective Standard And To Attack The Subjective Standard Are Without Merit.

Respondents argue that the Ninth Circuit's objective screen -- that any lawsuit deemed "not baseless" as a matter of law is completely immune from antitrust scrutiny -- is necessary because discovery is burdensome, questions of intent are often misunderstood or decided incorrectly, and the fear of burden and mistake would have such a chilling effect on joint petitioning as to make any subjective intent standard constitutionally suspect.

A. The Subjective Standard For Distinguishing Sham Petitioning Is Neither Overbroad Nor Constitutionally Suspect.

Respondents correctly characterize Petitioners' articulation of the sham standard as "breathtaking in its simplicity." Resp. Brief at 15. However, to suggest that, in its "simplicity," the subjective standard sweeps more broadly than this Court intended, or that it improperly exposes constitutionally-protected conduct to antitrust liability, is simply wrong.

Notwithstanding Respondents' intimations to the contrary (Resp. Brief at 17-19), there is no disagreement among the parties and the Government that the *Noerr-Pennington* doctrine is broad and that its sham exception is narrow. It is not, however, so narrow as to be a nullity, nor is sham petitioning so inconsequential a form of anticompetitive behavior potentially violative of the antitrust laws as to be lightly dismissed.[6] Properly conceived, a

[6] *See, e.g.*, Resp. Brief at 31 & n.19, 35. The brief of the Government is particularly eloquent on this point.

> If the court of appeals' rule were adopted [as advocated by Respondents], it would provide a clear loophole in the Sherman Act's scheme of protection. Litigation can be a powerful weapon with which to inflict injury on business rivals, quite apart from success on the merits. Severe consequences may flow from the mere pendency of court action, and the ability of the judicial process itself to hamstring competitors may spur the filing of a lawsuit without regard to the likelihood of winning. Such abuses can be a source of antitrust concern, even when the litigation rests (however tenuously) on probable cause.

Govt. Brief at 14-15.

standard that focuses on subjective intent (the litigants' indifference to the outcome) inherently balances the competing interests of the First Amendment right to petition with the Sherman Act's proscription against conspiracies in restraint of trade, recognizing the predatory potential for sham litigation to masquerade as *Noerr-Pennington* protected petitioning.[7]

Petitioners' articulation of the standard for distinguishing sham petitioning -- indifference to the outcome -- would apply to a suitably narrow range of cases where plaintiffs press their litigation with no interest in the result. It may be the case, for example, that plaintiffs will file a lawsuit intending to secure a substantive result, because that is the only logical way their objectives can be achieved.[8] Similarly, cases of mixed motive should be decided conservatively, recognizing the value of the constitutionally-protected component of that petitioning, even if it is accompanied by other motives. *See* Govt. Brief at 8.[9] It is

[7] As noted in the petition, many commentators fear that an unduly cramped sham exception creates enormous potential for anticompetitive harm outside the purview of the antitrust laws. *See* Pet. at 27 n.35, and authorities cited therein.

[8] If, for example, the relative sizes of plaintiffs and defendants in the underlying copyright action had been reversed, it would be harder to imagine plaintiffs realistically hoping to gain a tactical advantage over their much larger adversaries in the filing of the lawsuit rather than in its victory, or by wearing down their adversaries in the hopes of gaining their preferred business outcome.

[9] Examples of cases involving mixed motive would include those where

only in those cases where plaintiffs are found to be indifferent to the outcome of their litigation that courts should find a sham and allow the proceeding to continue to determine whether the additional elements of an antitrust violation are present. *Id.* at 24 ("[T]he costs of applying the sham exception to suits that are not baseless are substantially reduced by the normal antitrust screens."). *See also id.* at 25.[10]

Respondents' constitutional objections are similarly unfounded. Precedent does not establish that the *Noerr-Pennington* doctrine "rest[s] squarely" (Resp. Brief at 18-19) on an interpretation of the Sherman Act so that, as a result, "the Court has a much freer hand to fashion sensible rules" regarding sham petitioning. *Id.* at 19. The question of the constitutional as opposed to statutory underpinnings of the *Noerr-Pennington* doctrine is not so easily answered. *See, e.g., California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972).[11] For this

plaintiffs strive for a successful result but are cognizant of the burdens imposed by the litigation, or strongly suspect that their opponents may capitulate regardless of the strength of their position.

[10] Respondents disregard the fact that a finding of sham is but the first step in the successful prosecution of an antitrust claim based on group petitioning. For example, in a further profound misstatement of the question under review by this Court, they state:

> The question here, however, is whether it is appropriate to impose treble-damages liability for the filing of an objectively reasonable lawsuit in view of the resulting heavy burden on claims brought for legitimate reasons.

Resp. Brief at 38. This is decidedly not "[t]he question here." *Id.* Petitioners seek only a determination that, under the correct standard for distinguishing sham petitioning, they are entitled to proceed with discovery on their well-pled claims.

[11] *See also* Stephen Calkins, *Developments in Antitrust and the First Amendment: the Disaggregation of Noerr*, 57 Antitrust L.J. 327, 329-31, 345-46 (1988); James D. Hurwitz, *Abuse of Governmental Processes, the First Amendment, and the Boundaries of Noerr*, 74 Geo. L.J. 65, 79-80 (1985). *See generally* Daniel R. Fischel, *Antitrust Liability for Attempts to Influence Government Action: The Basis and Limits of the Noerr-Pennington Doctrine*, 45 U. Chi. L. Rev. 80 (1977).

reason, it is wrong to brush aside lightly the impact of the Ninth Circuit's objective screen in foreclosing Petitioners' constitutionally-protected right to petition the courts. *See generally Bill Johnson's Restaurants, Inc. v. N.L.R.B.*, 461 U.S. 731, 743-44 (1983).

Correspondingly, this Court has also previously determined that the Constitution does not necessarily immunize Respondents' conduct from antitrust scrutiny. "First Amendment rights are not immunized from regulation when they are used as an integral part of conduct which violates a valid statute." *California Motor*, 404 U.S. at 514. The Court further observed in this regard:

> First Amendment rights may not be used as the means or the pretext for achieving "substantive evils" . . . which the legislature has the power to control. Certainly the constitutionality of the antitrust laws is not open to debate. A combination of entrepreneurs to harass and deter their competitors from having "free and unlimited access" to the agencies and courts, to defeat that right by massive, concerted, and purposeful activities of the group are ways of building up one empire and destroying another. . . . If these facts are proved, a violation of the antitrust laws has been established. If the end result is unlawful, it matters not that the means used in violation may be lawful.

Id. at 515, *quoting NAACP v. Button*, 371 U.S. 415, 444 (1963). This Court's *Noerr-Pennington* jurisprudence has consistently reflected a balancing of First Amendment concerns with the important enforcement goals of the Sherman Act.[12] Serving those enforcement goals often requires

[12] *See, e.g., Giboney v. Empire Storage & Ice Co.*, 336 U.S. 490, 502 (1949). *See also American Tobacco Co. v. United States*, 328 U.S. 781, 809 (1946).

ferreting out illegal activity that lies hidden beneath otherwise entirely legal behavior.[13]

B. The Subjective Standard For Distinguishing Sham Petitioning Is Neither Impossible For Factfinders To Apply Nor Unduly Burdensome For Business Persons To Accommodate.

Respondents argue that a sham standard grounding liability on subjective intent would be unreliable in application (and therefore troublesome for business persons to put to use), as well as difficult for finders of fact to apply. Resp. Brief at 29-31. Moreover, Respondents appear to suggest that, in adjudicating other antitrust claims such as monopolization and predatory pricing, courts are shifting away from evidence of intent in favor of objective standards, presumably to avoid those problems. Respondents' premises are as incorrect as the conclusion they hope to support. *Id.* at 30-31.

The monopolization and predatory pricing cases Respondents cite for the proposition that antitrust courts look to objective standards rather than evidence of intent on questions of liability (Resp. Brief at 30-31) conclude only that the intent to do harm to a competitor is not a sufficient standard by which to measure whether a violation of the antitrust laws has occurred.[14] Petitioners have already distinguished the intent to compete hard at the

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[13] *See, e.g., Otter Tail Power Co. v. United States*, 410 U.S. 366, 379 n.9 (1973); *In re Burlington Northern, Inc.*, 822 F.2d 518, 527-33 (5th Cir. 1987), *cert. denied*, 484 U.S. 1007 (1988); *MCI Communications Corp. v. Am. Tel. & Tel. Co.*, 708 F.2d 1081, 1153-58 (7th Cir.), *cert. denied*, 464 U.S. 891 (1983); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 471-72 (7th Cir. 1982), *cert. denied*, 461 U.S. 958 (1983).

[14] *See, e.g., Ocean State Physicians Health Plan, Inc. v. Blue Cross & Blue Shield of Rhode Island*, 883 F.2d 1101, 1113 (1st Cir. 1989) ("[T]he desire to crush a competitor, standing alone, is insufficient to make out a violation of the antitrust laws. . . .") *quoting Barry Wright Corp. v. ITT Grinnell Corp.*, 724 F.2d 227, 232 (1st Cir. 1983)), *cert. denied*, 494 U.S. 1027 (1990); *see also A.A. Poultry Farms, Inc. v. Rose Acre Farms, Inc.*, 881 F.2d 1396, 1402 (7th Cir. 1989), *cert. denied*, 494 U.S. 1019 (1990).

expense of other firms from the subjective intent -- indifference to the outcome -- that is relevant in sham analysis. *See* Pet. at 9, Pet. Brief at 16. It is *not* the former type of anticompetitive "intent" -- the type of intent described (and dismissed) in the cases cited by Respondent -- that is of importance in this or any other determination of sham petitioning.[15]

Respondents further characterize Petitioners' articulation of the proper standard for sham analysis as lacking guidance from objective evidence. *See, e.g.*, Resp. Brief at 2, 20. Contrary to Respondents' characterizations, the correct standard would not exclude objective evidence that sheds light on Respondents' subjective intent. For example, evidence that Respondents filed a patently baseless lawsuit, that they have filed repeated appeals of lawsuits against opponents without consideration of their merits, that they sought but failed to obtain the same anticompetitive result legislatively, that they made contrary admissions in other litigation, or that they have engaged in a broad campaign in a variety of forums to stifle competition would all be useful in ordering and structuring the factfinder's inquiry into subjective intent.

Similarly, it cannot be said that every facially "not baseless" complaint (*e.g.*, a complaint that, at a minimum, survives sanction under Fed. R. Civ. P. 11 or dismissal under Fed. R. Civ. P. 12(b) or 12(c)) was necessarily filed with

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[15] Similarly, Respondents misconstrue the discussion of intent in *Grip-Pak*. Respondents state that *Grip-Pak* erroneously "indicates that bad purpose alone is sufficient to establish an abuse of process." Resp. Brief at 38 n.23. Respondents' criticism misses the point entirely. The *Grip-Pak* court stated that "[i]f abuse of process is not constitutionally protected, no more should litigation that has an improper anticompetitive purpose be protected, even though the plaintiff has a colorable claim." *Grip-Pak*, 694 F.2d at 471. As they do on numerous other occasions, Respondents incorrectly conclude that the term "improper purpose" is equivalent to intent to harm a competitor by competing vigorously. To the contrary, the *Grip-Pak* court was referring to the type of intent that is relevant to sham analysis: intent to use (*i.e.*, to abuse) governmental processes with indifference to the outcome.

an intent to achieve success on the merits. In these circumstances, the trier of fact must remain free to evaluate probative evidence going to the question of indifference to the result. *See, e.g., In re Burlington Northern, Inc.*, 822 F.2d at 529 n.8 (5th Cir. 1987), *cert. denied*, 484 U.S. 1007 (1988). Various objective criteria may be useful in helping to determine whether the litigants were indifferent, but no single objective criterion can or should be determinative. Set against contrary objective evidence, the antitrust plaintiff should remain able to discover evidence of the defendants' subjective intent, and to have that evidence evaluated as part of the overall question -- whether the antitrust defendants were indifferent to the result of their lawsuit -- a question to be determined by the trier of fact.

Recognizing that litigants may act with multiple or mixed motivations (particularly in the case of corporate litigants[16]), lower courts have successfully structured the inquiry into subjective intent by using rebuttable presumptions of varying strengths, by shifting the burdens of coming forward with evidence and of proof, and by judicial management of both the process of discovery (*see infra* pp. 14-15) and the conduct of trial, including the admissibility of evidence. A lawsuit raising legal issues of some substance should create a *rebuttable* presumption that the litigants were in fact not indifferent to the result of that litigation. Such a presumption recognizes the importance of the petitioning conduct by shifting the evidentiary burden to the party claiming sham to come forward, after discovery, with evidence (evidence that may have been uniquely within the control of the antitrust defendants) to show that the antitrust defendants were in fact indifferent to the result.

Once the party claiming sham has made its prima facie case as to the defendants' intent, the burden should shift to the defendants to rebut plaintiff's case. So ordered, the inquiry is not markedly different from that required of

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[16] *See, e.g., Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1371 (5th Cir. 1983); Hurwitz, *supra* n.11 at 99.

triers of fact dealing with other intent-based rules. *See, e.g., Westmac, Inc. v. Smith*, 797 F.2d 313, 318-19 (6th Cir. 1986), *cert. denied*, 479 U.S. 1035 (1987); *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d at 1371-72 & n.45 (5th Cir. 1983); *Mark Aero, Inc. v. Trans World Airlines, Inc.*, 580 F.2d 288, 297 (8th Cir. 1978); James D. Hurwitz, *Abuse of Governmental Processes, the First Amendment, and the Boundaries of Noerr*, 74 Geo. L.J. 65, 125-26 (1985).

In reality, abstract characterizations of purely objective and purely subjective standards tend to exaggerate the practical differences between them, and fail to account for the very concrete pitfalls inherent in a rigid reliance on purely objective factors. *Cf. Eastman Kodak Co. v. Image Technical Services, Inc.*, 60 U.S.L.W. at 4469 (1992) ("Legal presumptions that rest on formalistic distinctions rather than actual market realities are generally disfavored in antitrust law."). Not all objective tests create bright lines, nor do subjective tests necessarily enmesh the factfinder in a decisional morass or prove "[un]intelligible" to the lay business person seeking to conform his or her behavior to the law. *Cf.* Resp. Brief at 32-33. In an analogous setting involving the debate between the use of *per se* rules and the rule of reason in antitrust analysis, Professor Areeda has criticized the tendency to categorize and apply decisional rules of thumb inflexibly:

> Any contrast of paradigms overstates the difference between a per se rule and the rule of reason. Just as the former is not always so tightly prohibitive as is usually supposed, the rule of reason is not so open textured and hospitable to a claim or defense as is often thought. That something is not unlawful per se does not always require refined fact finding or balancing; indeed, a particular defense may be rejected categorically or presumptively within the general ambit of a rule of reason. Similarly, the fact that conduct may be unlawful under the rule of reason does not necessarily mean that merely alleging that

conduct should be sufficient to resist a summary disposition of such a claim.

Phillip E. Areeda, *The "Rule of Reason" in Antitrust Analysis: General Issues* 37 (Federal Judicial Center Education and Training Series 1981), *cited in Nat'l Collegiate Athletic Ass'n v. Bd. of Regents of the Univ. of Okla.*, 468 U.S. 85, 109-10 n.39 (1984).

C. The Subjective Standard For Distinguishing Sham Petitioning Does Not Promote Abusive Discovery That Would Chill Constitutionally Protected Activities.

Respondents argue that discovery abuse is the inevitable by-product of a subjective standard for sham petitioning (Resp. Brief at 33-36), and that such abuse will chill the exercise of constitutionally-protected petitioning rights (*id.* at 28-29). However, Respondents' parade of discovery horribles fails to acknowledge the expansive and effective powers of the courts to craft sensible pretrial orders and to guide discovery. Respondents also ignore the manifold opportunities afforded opponents to resist discovery.

Indeed, aside from the drumbeat of hyperbolic complaint concerning Petitioners' "extensive discovery" requests (Resp. Brief at 7 n.4), Respondents largely ignore the very active role played by the court in this litigation in managing what little discovery Petitioners were allowed, and the vigorous resistance Respondents offered at every stage to Petitioners' discovery requests, even after they were modified and limited. *See, e.g.*, J.A. 62-93, 118-47, 368-76, 377-83, 426-40, 441-73, 474-88, 505-26, 629.

Parties from whom discovery is sought have more than adequate means, through objections to discovery requests, oppositions to motions to compel, protective orders, and the like, to resist what may seem to them to be undue burdens. *See, e.g.*, Fed. R. Civ. P. 33, 34.[17] Respondents

[17] Local rules adopted by many district courts impose additional requirements on parties seeking discovery, and provide additional means for parties from whom discovery is sought, to resist discovery demands. In the case of the jurisdiction in which this action was litigated, *see, e.g.*, C.D. Cal. R. 6, 6.1.1, 6.1.2, 6.2, 6.4, 9.

employed all of these tools, and more, with vigor below. Furthermore, Rules 16 and 26 of the Federal Rules, supplemented by local rules, provide the courts with broad powers to guide and limit pretrial activities, such as discovery, in order to expedite pretrial preparation and avoid wasteful or abusive practices. *See* Fed. R. Civ. P. 16, 26.[18] The course of discovery (or, more properly, the lack of discovery) on the antitrust claims in this action demonstrates that parties from whom discovery is sought are not without means to resist such discovery, and that courts are not powerless to manage the course of pretrial proceedings.[19]

III. The Government's Contention That Petitioners Failed To Support Their Antitrust Claims Is Meritless Because Petitioners Were Denied The Opportunity To Conduct Any Discovery In Support Of Their Claims.

The Government argues that, notwithstanding application of an incorrect legal standard below, dismissal of Petitioners' claims should be upheld as a matter of summary judgment law because "[p]etitioners failed to present

[18] *See also Zaustinsky v. Univ. of Cal.*, 96 F.R.D. 622, 626 (N.D. Cal. 1983) (Schwarzer, J.), *aff'd without op.*, 782 F.2d 1055 (9th Cir. 1985); *Lee Pharmaceuticals v. Den-Mat, Inc.*, 197 U.S.P.Q. (BNA) 62 (C.D. Cal. 1976); 6A Charles A. Wright et al., *Federal Practice and Procedure* § 1522 at pp. 226-28, § 1528 at pp. 294-95 (2d ed. 1990); 8 Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2036 n.30 (1970 and Supp. 1992), § 2051 (Supp. 1992); Arthur R. Miller, *Confidentiality, Protective Orders, and Public Access to the Courts*, 105 Harv. L. Rev. 427, 445-63 (1991).

[19] The district court in this action exercised control over discovery on Petitioners' antitrust counterclaims, denying several motions to compel discovery (*see* 9/5/85 Tr., 3/24/86 Tr., 3/20/89 Tr.), ordering the parties to suspend discovery on the antitrust claims until the underlying copyright litigation had been resolved (3/24/86 Tr. 3-4, 7-8), and working with counsel to narrow the scope of the discovery requests (3/20/89 Tr.). *See also* Defendants' First Cross-Appeal Brief at 6-9.

evidence from which a reasonable jury could have determined that respondents' suit was a sham." Govt. Brief at 25. In this, the Government misinterprets this Court's teaching in *Kodak* and fails to account for the fact that, because of the Ninth Circuit's application of a flawed standard, Petitioners were denied the discovery necessary to obtain evidence in support of their antitrust counterclaims.[20] Of course, without discovery, the factual record was, and remains, non-existent, but this cannot be the basis for upholding summary judgment. It is a direct and necessary consequence of the error below.

In a slightly different articulation of what appears to be the same point, the Government contends that summary judgment was proper because Petitioners below failed to support a theory under which the sham exception would be applicable. Govt. Brief at 25-26. The Government argues that Petitioners' "principal" theory below was untenable. Respondents could not have "known" that their copyright claims were baseless because, argues the Government, the trial court found such claims to have been "not baseless," and Petitioners have not disputed that finding. *Id.*

Here again, the Government incorrectly interprets this Court's statement in *Kodak* that *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574 (1986), "did not introduce a special burden on plaintiffs facing summary judgment in antitrust cases," but rather placed a "substantial burden" on the party seeking summary judgment. *Kodak*, 60 U.S.L.W. at 4470. The Court in *Kodak* noted:

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[20] The Ninth Circuit ruled in this regard:

> The district court's conclusion is consistent with our holding on the *Noerr-Pennington* issue; evidence of the Movie Studios' subjective intent was relevant only if it was shown that the copyright infringement action was baseless. . . . PRE's discovery of the Movie Studios' subjective intent would not raise an issue of material fact sufficient to preclude entry of summary judgment.

Pet. App. 18a.

> [*Matsushita*] did not hold that if the moving party enunciates *any* . . . theory supporting its behavior, regardless of its accuracy in reflecting the actual market, it is entitled to summary judgment. *Matsushita* demands only that the nonmoving party's inferences be reasonable in order to reach the jury, a requirement that was not invented, but merely articulated, in that decision.

Id.

In this factual setting, *Kodak* and *Matsushita* teach that Respondents cannot meet their "substantial burden" on summary judgment simply by relying on *a* plausible theory[21] supporting their conduct of the copyright litigation when Petitioners' claims, viewed in the light most favorable to Petitioners, make out a "reasonable" case in opposition to Respondents' motion. Because Petitioners were denied an opportunity for discovery as a result of the flawed Ninth Circuit standard, it must be assumed, at this point, on this record, that Petitioners would have been able to acquire evidence of Respondents' subjective intent in bringing the sham copyright action to supplement Petitioners' pleading. *See* J.A. 38, 39, 40-41, 555, 574. No one contends that the pleading itself was insufficient. If, as pled, the evidence proved Respondents' copyright action to have been a sham under the proper standard, Petitioners would be entitled to proceed with the remainder of their antitrust case.[22]

Like Respondents, the Government rejects reliance on facts obtained through discovery in favor of convoluted

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[21] This is particularly true where the movants have taken a contrary position in other litigation. See Petitioners Brief on the Merits at 3, n.1.

[22] Whether Petitioners made a sufficient showing, in the form of the Rule 56(f) declaration of counsel (J.A. 569-571) and the Declaration of Kenneth F. Irwin (J.A. 566-568), to resist summary judgment, given the preclusion of discovery on the issue is a matter for *de novo* review by this Court. *See, e.g., Kodak*, 60 U.S.L.W. at 4469 n.10; *United States v. Diebold, Inc.*, 369 U.S. 654, 655 (1962).

supposition. The fact is that what Respondents knew or did not know at the time they filed the copyright action is not a matter of record in this litigation because Petitioners were denied discovery on this and all other issues bearing on Respondents' subjective intent. Under the proper standard for sham petitioning, how the trial judge appraised the vigor with which the copyright action was prosecuted (Pet. App. 7a, 15a, 24a) would not be conclusive on the question of what Respondents believed to be the benefits to them of filing it at the outset, or what they hoped to accomplish by its prosecution.

Petitioners contend that Respondents sought to injure them through the burden of the process itself. The court below agreed that burden would constitute antitrust injury. Pet. App. 10a. Petitioners alleged that they were competitors of Respondents in, among other markets, the provision of in-room video entertainment to hotel and motel guests, including the rental and sale of videodiscs as part of that service. *See, e.g.*, J.A. 38, 39, 40, 254, 256, 485, 509, 511-12, 566, 569, 629-30.[23] Injury to competition resulted from the fact that, through the institution of the sham lawsuit and by other means, Respondents were able successfully to prevent Petitioners from developing their business, and to prevent others from doing business with Petitioners. *See* Declaration of Kenneth F. Irwin, J.A. 566-568. These are indisputably well-pled claims. Petitioners are entitled to discovery upon them.

CONCLUSION

For all of the reasons set forth above, in Petitioners' Brief on the Merits, the Petition for a Writ of Certiorari, and Petitioners' Reply Brief to the Opposition to the

[23] Respondents' argument that they do not compete with Petitioners (Resp. Brief at 35 n.21) is nonsense. Respondents sought to derive revenues from the licensing of their copyrighted works for in-room hotel viewing. Resp. Brief at 3-4. If, instead of entering into a contract with a licensed distributor of Respondents' copyrighted works, a hotel could substitute the equipment sold by Petitioners, plainly Petitioners and Respondents would be competing for that hotel's business.

Petition, the decision of the Ninth Circuit should be reversed and the matter remanded with instructions that the proper standard for evaluating claims of sham litigation involves subjective intent, a question of fact, not law, and that Petitioners are entitled to pursue discovery on their federal and state law counterclaims.

July 14, 1992

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